



ALL INDIA BANK EMPLOYEES' ASSOCIATION

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CIRCULAR NO. 28/356/2021/80

14-7-2021

**TO ALL OFFICE BEARERS, STATE FEDERATIONS
AND ALL INDIA BANKWISE ORGANISATIONS
(FOR CIRCULATION TO ALL MEMBERS)**

**52nd Anniversary of Bank Nationalisation
AIBEA's National Campaign - Webinar Lecture 13
By Shri. M. Damodaran, IAS, Retd.**

**You can be in public sector and still be very efficient -
Damodaran**

All India Bank Employees' Association invited Shri M. Damodaran, former Joint Secretary of the Banking Division in the Ministry of Finance, Govt. of India to address the participants of the AIBEA's ongoing National Seminar series to commemorate the 52nd anniversary of Bank Nationalisation. Shri Damodaran was also, earlier Chief Secretary of Tripura Government and later he held positions like Chairman of SEBI, UTI and IDBI.

He began his lecture by referring to the context in which the webinar has been organised by AIBEA. He said that just like the belief of some people that sun rises in the west, there are people to believe that private sector banking means more efficient. But actually, efficiency is ownership neutral and there are so many examples where public sector units are more efficient than others, just as there are very efficient private sector companies also.

Gist of his lecture: As far as the banking is concerned, after 1947, we did not have any new banks till 1990s when new banking licenses were given. When these new banks were started, there was a lot of euphoria. But soon we found that Global Trust Bank got into problems. Ramesh Gelli who was given Padma Shri Award, ran the Global Trust Bank to the ground. Similarly, some more new private banks like Times Bank who were given license are not in scene now. So it is wrong to believe that private ownership automatically means efficiency.

To think that private sector, whose only objective is profit and improvement of profit, to reach the remotest corner of the country is a misnomer. There is no alternative to have the public sector presence for this diversified population. If Imperial Bank of India was not nationalised and taken over as State Bank of India, many villages and hamlets would not have had a bank branch. Private sector banks know about the social objective and implementation of the Government schemes and would not come in there and it is only left to Public Sector Banks undertake all these social objectives. We must also bear in mind that public sector banks

came at a time when technology was not at all available but new generation private banks came when the technology was developed and digitalization was adopted. Hence both cannot be compared with the same scale.

On customer service in public sector banks, he was narrating his experiences while he was on the Committee on improvement in customer services. He said that he found that even though SBI is a major Bank with so many branches and dealing with millions of customers, it had lesser number of complaints from customers than a private Bank which was being projected as a good Bank. He also pointed out that public sector banks extend banking services to the rural poor and the common masses at affordable costs. He was quoting the reply of the Chairman of a private bank to the question why the service charges are very high in private banks where that Chairman admitted that in a five-star hotel, one cannot expect food at Udipi hotel rates.

Talking of bank nationalisation, he said that many people feel that it was done for political purposes. According to him, after nationalisation, the banks started giving loans to worthy purposes than worthiness of the persons whereas private banks are willing to give loans only to already wealthy people because they go by the worthiness of the person and not the purpose of the loan. Public sector banks are created to give loan to people who need loans and not just for people who can afford to take a loan.

He was referring to the recent decision of the Government to privatise two Banks. He pointed out that the press is mentioning and speculating the names of two banks as recommended for privatisation. But interestingly, the share price of the scripts of these two banks have gone up suddenly. Can we understand that because the share price has gone up, these two banks have become more efficient overnight or less efficient earlier. It is the market speculation that has increased the share prices in these two banks. He quoted that the market capitalization of a leading private bank is so huge but it does not convert that into better customer service. A bank does not become better because of its market capitalization or the profit it earns. Banking is a provision of service through products. The ultimate objective is service. The original objective is accepting deposits and extending credit. This has nothing to do with market capitalization, and a Bank cannot be evaluated due to its share price, he opined.

He felt that indiscriminate movement towards privatisation is not an answer for India and this message has to reach the common man and public at large. In aviation sector, Air India is slated for sale. But then, we have given away slots and routes of profitable avenues to private sector and not to Air India. Non-purchase of new planes and improvement of new innovations in aviation sector especially in Air India – for such things somebody must be accountable. As Air India is government owned, they are responsible for this debacle and not the functioning. Today they are talking of privatizing two banks, but where is the guarantee that they will stop with this. They may privatise other banks also, he remarked.

Having said that, he stated that there should be an introspection among the public sector banks. What can be done to make these banks do better as a soul searching is what is required. People are most important than the products. There was a time when private sector banks had products that were not available to public sector banks, which was not a level playing field since the regulator did not allow public sector banks to venture into these areas. Profitability of private banks came mostly from fee-based income than from the banking operations unlike from the public sector banks which depend on fund-based income. Now, with the equal amount of technology among the public sector banks or private banks, the public sector banks should definitely match the private sector banks. The human touch by recognizing a customer by a name than by a number is the advantage for the public sector. The people aspect, the human touch is the differentiation in the going forward from this stage than by treating the customers with their account numbers or customer IDs.

Talking of governance, he said that he observed the non-filling up of employee-Director and officer-Director and many posts of Independent Directors in all the public sector Banks. When we say that the Bank is Board-driven, having a truncated Board does not auger well for the Banks, he said.

He also stressed the importance of training the people whereas the investment on training has always been the casualty in many banks.

He referred to the glaring problems faced by two of the private banks recently. The regulator allowed it and the press was worshipping the private sector and everything came to light only because of a persistent whistleblower's effort, he pointed out.

In public sector banks, going forward, we should recognize our strength. The second is to persuade the government that so-long as we exist, we should have effective leadership at the top level of the Board. The tenure of Chief Executives should be having reasonable time. The rules that apply to private sector and public sector should be equal. P.J. Nayak committee is a correct example that he gave a prescription to public sector banks but did not follow the same governance in the private bank. We should train people in such a way that they believe in a Public Sector Bank.

Com. K S Krishna, Joint Secretary, who coordinated the day's Webinar, extended our thanks to Shri. Damodaran for his lecture.

Yours comradely,



C.H. VENKATACHALAM
GENERAL SECRETARY